

Chapter-I

(General)

CHAPTER-I: GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of Bihar during the year 2015-16, the State's share of net proceeds of divisible Union taxes and duties assigned to States and Grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned in **Table-1.1**.

Table-1.1
Trend of revenue receipts

(₹ in crore)						
Sl. No.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
1.	Revenue raised by the State Government					
	• Tax revenue	12,612.10	16,253.08	19,960.68	20,750.23	25,449.18 ¹
	• Non-tax revenue	889.86	1,135.27	1,544.83	1,557.98	2,185.64
	Total	13,501.96	17,388.35	21,505.51	22,308.21	27,634.82
2.	Receipts from the Government of India					
	• Share of net proceeds of divisible Union taxes and duties	27,935.23	31,900.39	34,829.11	36,963.07	48,922.68 ²
	• Grants-in-aid	9,882.98	10,277.92	12,584.03	19,146.26	19,565.60
	Total	37,818.21	42,178.31	47,413.14	56,109.33	68,488.28
3.	Total revenue receipts of the State Government (1 and 2)	51,320.17	59,566.66	68,918.65	78,417.54	96,123.10
4.	Percentage of 1 to 3	26	29	31	28	29

(Source: Finance Accounts, Government of Bihar)

¹ This includes ₹ 7.54 lakh booked by Treasury as 'Other Receipts'.

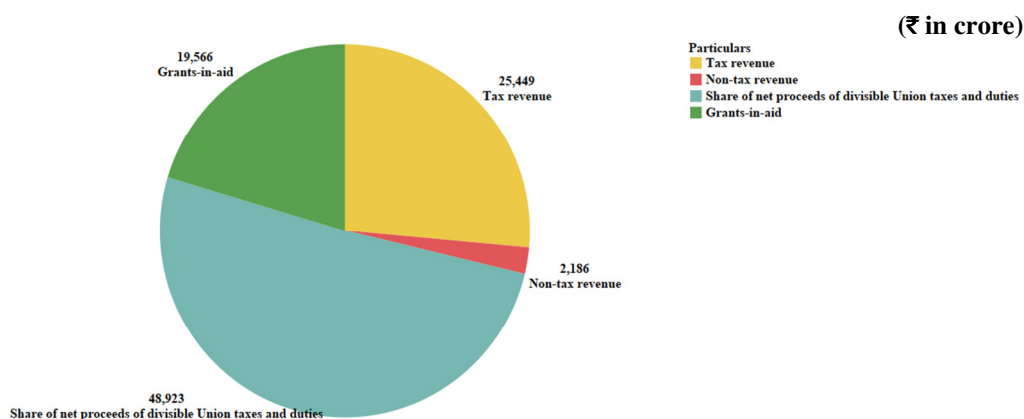
² For details, please see Statement No. 14 - Detailed accounts of revenue by minor heads in the Finance Accounts of Government for the year 2015-16. Figures under Minor Head – 901 - Share of net proceeds assigned to the State under the Major Heads 0020 - Corporation Tax (₹ 15,377.40 crore), 0021 - Taxes on income other than Corporation Tax (₹ 10,643.04 crore), 0028 – Other taxes on Income and expenditure (₹ 0.39 crore), 0032 - Taxes on Wealth (₹ 4.31 crore), 0037 – Customs (₹ 7,849.43 crore), 0038 - Union Excise Duties (₹ 6,577.11 crore) and 0044 - Service Tax (₹ 8,430.37 crore) and 0045 – Other taxes and duties on commodities and services (₹ 40.63 crore) booked in the Finance Accounts under A - Tax Revenue have been excluded from the revenue raised by the State and included in State's share of divisible union taxes in this statement.

The above table indicates that during the year 2015-16, the revenue raised by the State Government (₹ 27,634.82 crore) was only 29 per cent of the total revenue receipts.

The tax and non-tax revenue raised by the Government of Bihar, the State's share of net proceeds of divisible Union taxes and duties assigned to States and Grants-in-aid received from the Government of India during the year 2015-16 is also shown in the pictorial Chart-1.1 below:

Chart-1.1

Trend of revenue receipts for the year 2015-16 (₹ 96,123.10 crore)



1.1.2 The details of the tax revenue raised during the period 2011-12 to 2015-16 are given in **Table-1.2**.

Table-1.2
Details of Tax Revenue raised

(₹ in crore)

Sl. No.	Head of revenue	2011-12	2012-13	2013-14	2014-15	2015-16	Percentage of increase (+)/decrease (-) in actual of 2015-16 in comparison to	
		<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	BE of 2015-16	Actual of 2014-15
1.	Taxes on Sales, Trade etc.	<u>6,508.00</u> 7,476.36	<u>8,071.00</u> 8,670.79	<u>12,324.04</u> 8,453.02	<u>12,820.15</u> 8,607.16	<u>16,025.18</u> 10,603.40	(-) 33.83	(+) 23.19
2.	Taxes on Goods and Passengers	<u>1,940.00</u> 828.30	<u>2,800.00</u> 1,932.12	<u>1,192.75</u> 4,349.00	<u>4,117.50</u> 4,451.25	<u>5,146.88</u> 6,087.12	(+) 18.27	(+) 36.75
3.	State Excise	<u>1,790.00</u> 1,980.98	<u>2,715.00</u> 2,429.82	<u>3,300.00</u> 3,167.72	<u>3700.00</u> 3,216.58	<u>4,000.00</u> 3,141.75	(-) 21.46	(-) 2.33
4.	Stamps and Registration Fees	<u>1,600.00</u> 1,480.07	<u>1,906.00</u> 2,173.02	<u>3,200.00</u> 2,712.41	<u>3,600.00</u> 2,699.49	<u>4,000.00</u> 3,408.57	(-) 14.79	(+) 26.27
5.	Taxes on Vehicles	<u>537.00</u> 569.13	<u>644.40</u> 673.39	<u>800.00</u> 837.48	<u>1,000.00</u> 963.56	<u>1,200.00</u> 1,081.22	(-) 9.90	(+) 12.21
6.	Land Revenue	<u>125.20</u> 167.49	<u>185.00</u> 205.45	<u>205.00</u> 201.71	<u>250.00</u> 277.13	<u>300.00</u> 695.15	(+)131.72	(+) 150.84
7.	Taxes and Duties on Electricity	<u>60.70</u> 54.69	<u>60.70</u> 102.55	<u>66.17</u> 141.31	<u>82.70</u> 374.76	<u>102.50</u> 297.99	(+)190.72	(-) 20.49
8.	Other Taxes and Duties on Commodities and Services	<u>24.99</u> 25.52	<u>41.99</u> 28.99	<u>34.14</u> 50.43	<u>48.59</u> 105.34	<u>45.43</u> 69.36	(+) 52.67	(-) 34.16
9.	Other Taxes on Income and Expenditure- Taxes on Professions, Trades, Callings and Employment	<u>23.30</u> 29.56	<u>31.00</u> 36.95	<u>32.59</u> 47.60	<u>44.00</u> 54.96	<u>55.00</u> 64.55	(+) 17.36	(+) 17.45
Total		<u>12,609.19</u> <u>12,612.10</u>	<u>16,455.09</u> <u>16,253.08</u>	<u>21,154.69</u> <u>19,960.68</u>	<u>25,662.94</u> <u>20,750.23</u>	<u>30,874.99</u> <u>25,449.11</u>	(-) 17.57	(+) 22.64

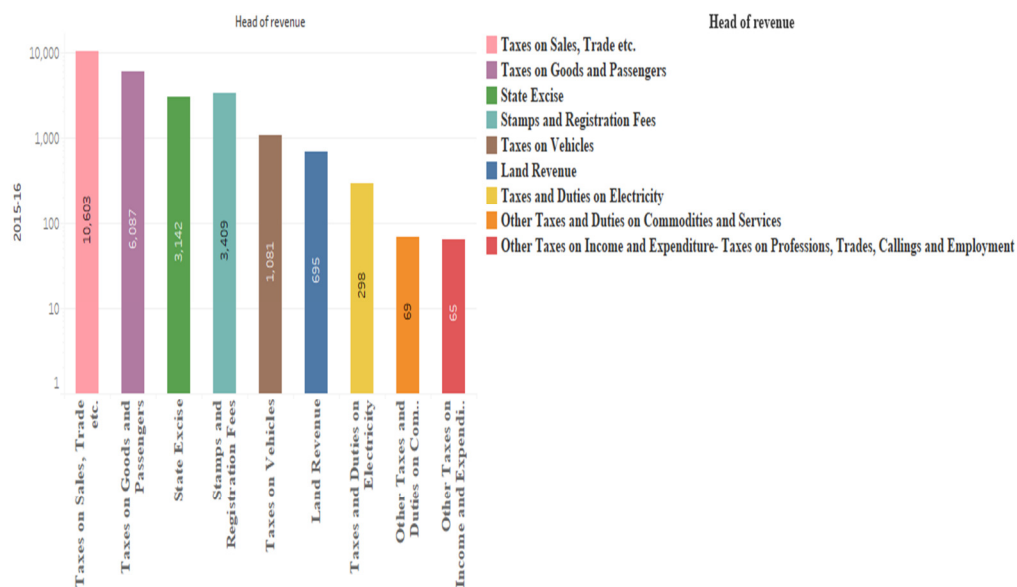
{Source: Finance Accounts, Government of Bihar and Revenue and Capital Receipts (Detail)}

The tax revenue raised by the Government of Bihar during the year 2015-16 is also shown in the pictorial **Chart-1.2** below:

Chart-1.2

Tax revenue raised during the year 2015-16 (₹ 25,449.11 crore)

(₹ in crore)



It can be seen from the foregoing table that there was a variation of (-) 33.83 to (+) 190.72 *per cent* between the budget estimates and the actual during 2015-16. Further there was a variation of (-) 34.16 *per cent* to (+) 150.84 *per cent* between actuals of 2014-15 and 2015-16 under various heads of taxes.

The following reasons for variation were reported by the concerned Departments.

Taxes on Sales, Trade etc.: The increase (23.19 *per cent*) over the actual of 2014-15 was due to enhancement of rate of tax on some commodities (packed, branded and preserved namkin, UPS, dry fruit, auto parts, battery parts, industrial cable and electrical goods under industrial inputs) from 5 *per cent* to 13.5 *per cent*; enhancement of rate of tax from 13.5 *per cent* to 14.5 *per cent* on unscheduled commodities; enhancement of rate of surcharge from 20 *per cent* to 30 *per cent*; massive mobile checking and inspection of business premises and increase in number of registered tax payee dealers.

Taxes on Goods and Passengers: The increase (36.75 *per cent*) over the actual of 2014-15 was due to enhancement of rate of Entry tax on electrical goods from 8 *per cent* to 12 *per cent*.

State Excise: The decrease (21.46 *per cent*) over the BE for the year 2015-16 was attributed to the announcement of prohibition.

Stamps and Registration fees: The increase (26.27 *per cent*) over the actual of 2014-15 was due to increase in number of registered documents.

Land Revenue: The increase over the actuals of 2014-15 (150.84 per cent) and over the BE for the year 2015-16 (131.72 per cent) was due to collection of establishment charges in respect of acquisition of land and cost of alienated Government land to the Bihar State Electricity Board and other companies and also increase in demand during the year.

The Transport Department did not inform (October 2016) the reasons for variation, despite being requested (between April and July 2016).

We recommend that while preparing budget estimates, the State Government may make realistic assumptions, as significant variations were noticed between budget estimates and actual.

1.1.3 The details of non-tax revenue raised during the period 2011-12 to 2015-16 are indicated in **Table-1.3**.

Table-1.3
Details of Non-tax Revenue raised

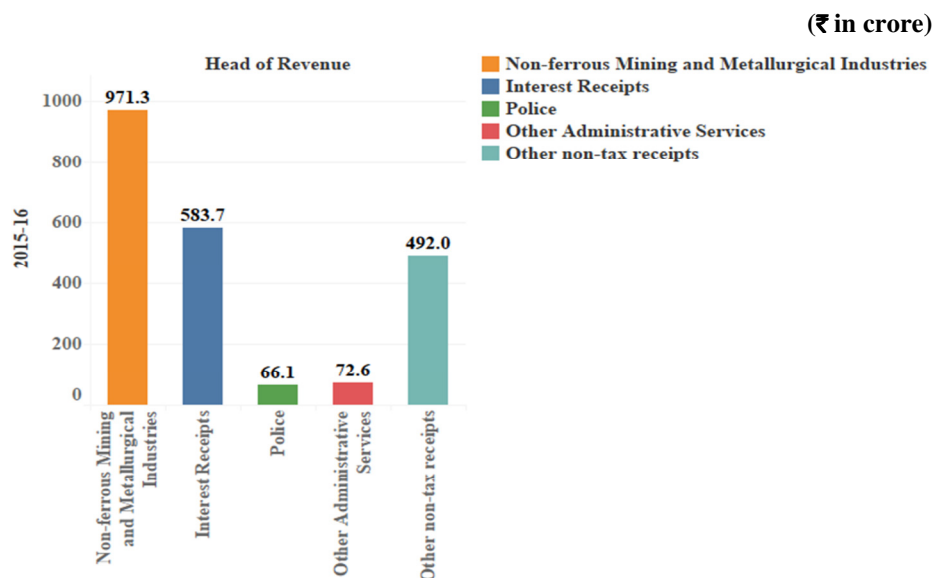
(₹ in crore)

Sl. No.	Head of Revenue	2011-12	2012-13	2013-14	2014-15	2015-16	Percentage of increase (+)/decrease (-) in actual of 2015-16 in comparison to	
		<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	BE of 2015-16	Actual of 2014-15
1.	Non-ferrous Mining and Metallurgical Industries	<u>280.00</u> 443.10	<u>470.00</u> 511.08	<u>641.00</u> 569.14	<u>750.00</u> 879.87	<u>1,000.00</u> 971.34	(-) 2.87	(+) 10.40
2.	Interest Receipts	<u>370.82</u> 573.70	<u>263.74</u> 167.12	<u>338.48</u> 269.48	<u>202.22</u> 344.77	<u>312.13</u> 583.66	(+) 86.99	(+) 69.29
3.	Police	<u>12.62</u> 9.26	<u>67.83</u> 25.01	<u>70.59</u> 27.27	<u>69.74</u> 29.50	<u>28.93</u> 66.05	(+) 128.31	(+) 123.90
4.	Other Administrative Services	<u>59.64</u> 11.49	<u>46.56</u> 10.01	<u>65.01</u> 10.18	<u>251.60</u> 21.77	<u>51.25</u> 72.61	(+) 41.68	(+) 233.53
5.	Other non-tax receipts	(-) 147.69	422.05	668.26	282.07	491.98		(+) 74.42
Total receipts		889.86	1,135.27	1,544.83	1,557.98	2,185.64		(+) 40.29

{Source: Finance Accounts, Government of Bihar and Revenue and Capital Receipts (Detail)}

The non-tax revenue raised by the Government of Bihar during the year 2015-16 is also shown in the pictorial **Chart-1.3** below:

Chart-1.3
Non-tax revenue raised during the year 2015-16 (₹ 2,185.64 crore)



It can be seen from the foregoing table that there was a variation of (-) 2.87 to (+) 128.31 *per cent* between the budget estimates and the actual during 2015-16. Further, there was a variation of (-) 10.40 *per cent* to (+) 233.53 *per cent* between actuals of 2014-15 and 2015-16 under various heads of non-tax revenues.

The reasons for variation were not reported (October 2016) by the concerned Departments, despite being requested (between April and July 2016).

1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2016 in respect of the principal heads of revenue amounted to ₹ 5,728.97 crore of which ₹ 500.03 crore was outstanding for more than five years as detailed in the **Table-1.4**.

Table-1.4
Arrears of revenue

(₹ in crore)

Sl. No.	Heads of revenue	Total amount outstanding as on 31 March 2016	Amount outstanding for more than five years as on 31 March 2016	Stages of pendency
1.	Taxes on Sales, Trade etc.	2,206.42	315.95	Out of ₹ 2,206.42 crore, demands for ₹ 309.93 crore were certified for recovery as arrears of land revenue, recovery of ₹ 318.44 crore and ₹ 61.55 crore were stayed by the courts and the Government respectively, a sum of ₹ 76.18 lakh was held up due to assesses/dealers becoming insolvent,

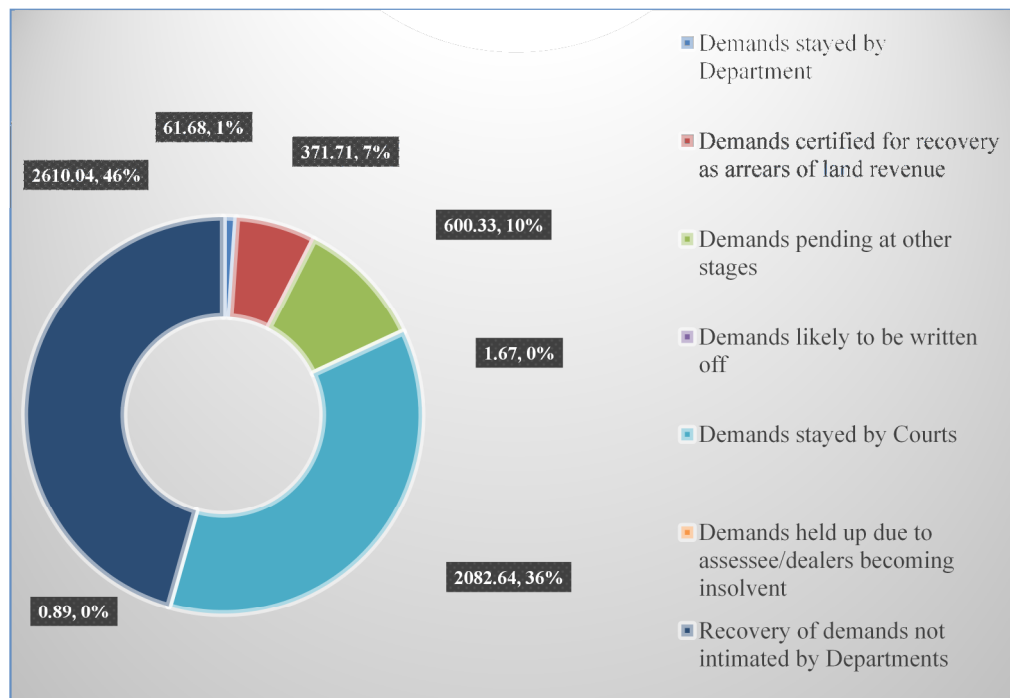
				₹ 1.27 crore likely to be written off and an amount of ₹ 1,514.47 crore was pending at other stages.
2.	Taxes on Goods and Passengers	1,960.94	9.98	Out of ₹ 1,960.94 crore, demands for ₹ 76.50 lakh were certified for recovery as arrears of land revenue, recovery of ₹ 1,738.07 crore was stayed by the courts and an amount of ₹ 222.10 crore was pending at other stages.
3.	Taxes and Duties on Electricity	891.54	2.11	Out of ₹ 891.54 crore, recovery of ₹ 20.73 crore was stayed by the courts and an amount of ₹ 870.81 crore was pending at other stages.
4.	State Excise	60.09	16.13	Out of ₹ 60.09 crore, demands for ₹ 52.59 crore were certified for recovery as arrears of land revenue, recovery of ₹ 5.38 crore and ₹ 12.54 lakh were stayed by the Courts and Government respectively, recovery of ₹ 13.50 lakh was held up due to dealer/party becoming insolvent, an amount of ₹ 40.35 lakh was likely to be written off and ₹ 1.46 crore was pending at other stages.
5.	Taxes on vehicles	192.20	Not furnished	Arrear outstanding for more than five years and stages at which the arrears were pending for collection have not been intimated, despite being requested (between April and July 2016).
6.	Other Taxes and Duties on Commodities and Services	9.65	8.25	Out of ₹ 9.65 crore, demands for ₹ 8.42 crore were certified for recovery as arrears of land revenue, recovery of ₹ 2.40 lakh was stayed by the courts and an amount of ₹ 1.20 crore was pending at other stages.
7.	Land Revenue	142.92	Not furnished	Arrear outstanding for more than five years and stages at which the arrears were pending for collection have not been intimated, despite being requested (between April and July 2016).
8.	Mines and Geology	246.62	145.89	Stages at which the arrears were pending for collection have not been intimated, despite being requested (between April and July 2016).
9.	Stamps and Registration fees	18.59	1.72	Stages at which the arrears were pending for collection have not been intimated, despite being requested (between April and July 2016).
TOTAL		5,728.97	500.03	

(Source: Information furnished by the Departments)

The following **chart-1.4** depicts the breakup of arrears of revenue as on 31 March 2016:

Chart-1.4
Breakup of arrears of revenue as on 31 March 2016 (₹ 5,728.97 crore)

(₹ in crore)



It can be seen from the above chart that out of total outstanding arrears of revenue of ₹ 5,728.97 crore, demands for ₹ 371.71 crore were certified for recovery as arrears of land revenue, recovery of ₹ 2,082.64 crore and ₹ 61.68 crore were stayed by the courts and the Government respectively, a sum of ₹ 89.68 lakh was held up due to assesses/dealers becoming insolvent, ₹ 1.67 crore likely to be written off and an amount of ₹ 2,610.04 crore was pending at other stages. Stages at which arrears of revenue of ₹ 600.33 crore were pending for collection were not intimated by the four departments³, despite being requested.

In view of the fact that State is likely to forgo annual excise revenue to the tune of ₹ 4,000 crore⁴ approximately due to implementation of State prohibition policy 2016, Government/Department should expedite its arrear revenue collection efforts to minimise the overall revenue loss.

1.3 Arrear in assessments

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and number of cases pending for finalisation at the end of the year as furnished by the Commercial Taxes Department in respect of Taxes on Sales, Trade etc., Taxes on Goods and Passenger, Other Taxes and Duties on Commodities and Services and Taxes and Duties on Electricity are as given in **Table-1.5**.

³ Mines and Geology Department; Registration, Excise and Prohibition (Registration) Department; Revenue and Land Reforms Department and Transport Department,

⁴ Based on the budget estimates and actual revenue collection for the year 2015-16.

Table-1.5
Arrears in assessments

Head of revenue	Opening balance	New cases due for assessment during 2015-16	Total assessments due	Cases disposed of during 2015-16	Balance at the end of the year	Percentage of disposal (col. 5 to 4)
1	2	3	4	5	6	7
Taxes on Sales, Trade etc.	80,989	73,149	1,54,138	50,452	1,03,686	32.73
Taxes on Goods and Passenger	5,575	4,569	10,144	5,912	4,232	58.28
Other Taxes and Duties on Commodities and Services	2,166	766	2,932	644	2,288	21.96
Taxes and Duties on Electricity	324	55	379	72	307	19

(Source: Information furnished by the Department)

It can be seen from the above table that in Commercial Taxes Department the percentage of finalisation of assessment ranged from 19 per cent to 58.28 per cent only during the year.

1.4 Evasion of tax

The details of cases of evasion of tax detected, cases finalised and the demands for additional tax raised as reported by the Commercial Taxes Department and Registration, Excise and Prohibition Department are given in Table-1.6.

Table-1.6
Evasion of Tax

Sl. No.	Head of revenue	Cases pending as on 31 March 2015	Cases detected during 2015-16	Total	Number of cases in which assessments/investigation completed and additional demand including penalty etc, raised during the year 2015-16		Number of cases pending for initialisation as on 31 March 2016
					Number of cases	Amount of demand	
1.	Commercial Taxes ⁵	319	1,179	1,498	1,019	21.00	479
2.	State Excise	36	11	47	Nil	Nil	47
3.	Stamps and Registration fees	4	Nil	4	Nil	Nil	4

It can be seen from the above table that in case of State excise the number of cases pending at the end of the year was more than the number of cases

⁵ Commercial taxes include Taxes on Sales, Trade etc., Taxes on Goods and Passengers; Taxes and Duties on Electricity; Other Taxes on Income and Expenditure-Taxes on Professions, Trades, Callings and Employment and Other Taxes and Duties on Commodities and Services.

pending at the beginning of the year, which shows that no action was taken by the Department in finalising the pending cases of evasion of tax.

1.5 Pendency of Refund cases

The number of refund cases pending at the beginning of the year 2015-16, claims received during the year, refunds allowed during the year and cases pending at the close of the year 2015-16 as reported by the Department is given in **Table-1.7**.

Table-1.7
Details of pendency of refund cases

Sl. No.	Particulars	Taxes on Sales, Trade etc.		Entry tax		Entertainment tax		State excise	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	1,647	71.34	105	16.12	6	0.02	260	16.15
2.	Claims received during the year	247	136.81	14	23.33	Nil	Nil	464	23.85
3.	Refunds made during the year	208	138.31	13	11.84	Nil	Nil	366	11.84
4.	Balance outstanding at the end of the year	1,686	69.85	106	27.61	6	0.02	358	28.16

(Source: Information furnished by the Department)

Section 70 (1) of the Bihar VAT Act provides for payment of interest, at the rate of six *per cent* per annum, if the excess amount is not refunded to the dealer within 90 days⁶ from the date of the order.

The progress of disposal of the refund cases of Tax on sales, trade etc. and entry tax was very slow during the year.

1.6 Response of the Government/departments towards audit

The Accountant General (AG), Audit, Bihar conducts periodical inspection of the Government Departments to test-check the transactions and verify the maintenance of the important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with the Inspection Reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the heads of the offices inspected with copies to the next higher authorities for taking prompt corrective action. The heads of the offices/Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and

⁶ Substituted as 60 days by Act 4 of 2016 dated 4 April 2016.

report compliance through initial reply to the AG within four weeks of its receipt. Serious financial irregularities are reported to the heads of the Department and the Government.

Analysis of Inspection Reports issued upto December 2015 disclosed that 15,426 paragraphs involving ₹ 10,662.75 crore relating to 2,008 IRs remained outstanding at the end of June 2016 as mentioned below along with the corresponding figures for the preceding two years in **Table-1.8**.

Table-1.8
Details of pending Inspection Reports

	June 2014	June 2015	June 2016
Number of IRs pending for settlement	4,806	1,790	2,008 ⁷
Number of outstanding audit observations	27,764	13,028	15,426
Amount of revenue involved (₹ in crore)	17,825.55	9,157.77	10,662.75

1.6.1 The Department-wise details of the IRs and audit observations outstanding as on December 2015 and the amounts involved are mentioned in the **Table-1.9**.

Table-1.9
Department wise details of IRs

(₹ in crore)					
Sl. No.	Name of the departments	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved
1.	Commercial Taxes	Taxes on Sales, Trade etc, Entry tax Electricity duty Entertainment tax, Luxury tax, etc.	312	6,210	5,746.49
2.	Registration, Excise and Prohibition (Excise)	State Excise	283	1,271	1,073.44
3.	Transport	Taxes on Vehicles	329	2,318	1,241.58
4.	Revenue and Land Reforms	Land Revenue	514	3,104	1,260.44
5.	Registration, Excise and Prohibition (Registration)	Stamps and Registration Fee	280	799	213.58
6.	Mines and Geology	Non-ferrous Mining and Metallurgical Industries	290	1,724	1,127.22
Total			2,008	15,426	10,662.75

Audit did not receive even the first replies from the heads of offices within four weeks of its receipt, for 1,209 IRs issued upto December 2015. This large

⁷ The responsibility to follow up/settlement of the outstanding Inspection Reports upto 2006-07 had been left to the Departments concerned except the cases pending with Public Accounts Committee and the Hon'ble courts.

pendency of the IRs due to not receiving the replies, is indicative of the fact that the heads of offices and the departments did not initiate action to rectify the defects, omissions and irregularities pointed out by the AG in the IRs.

The Government should provide for prompt and appropriate response to audit observations, so that audit observations are settled and corrective measures on deficiencies pointed out by audit are taken.

1.6.2 Departmental audit committee meetings

The Government set up audit committees to monitor and expedite the progress of the settlement of IRs and paragraphs in the IRs. During the course of the year, only two audit committees were held in which 148 paragraphs involving ₹ 55.28 crore were settled as mentioned in the **Table-1.10**.

Table-1.10
Audit Committee meetings

(₹ in crore)			
Head of revenue	Number of meetings held	Number of paragraphs settled	Amount
Commercial Taxes	1	95	15.04
State Excise	1	53	40.24
Total	2	148	55.28

Holding of only two meetings during the entire year (2015-16) had deprived the Government of the opportunity of settling more outstanding audit observations as was mentioned in preceding paragraph.

The Government should take suitable steps to hold departmental audit committee meetings at regular intervals for the settlement of outstanding IRs/paragraphs.

1.6.3 Records not produced to audit for scrutiny

The programme of local audit of Tax revenue/Non-tax revenue offices is drawn up sufficiently in advance and intimations are issued, usually one month before the commencement of audit, to the departments to enable them to keep the relevant records ready for audit scrutiny.

During the year 2015-16 as many as 320 assessment files, returns, refunds, registers and other relevant records were not made available to audit. In none of these cases the revenue involved could be ascertained. Break up of these cases are given in **Table-1.11**.

Table-1.11
Details of records not produced to audit

Name of the Department	Year in which it was to be audited	Number of cases not audited
Commercial Taxes	2015-16	4
Registration, Excise and Prohibition (Excise)	2015-16	12
Revenue and Land Reforms	2015-16	263
Transport	2015-16	8
Mines and Geology	2015-16	33

Name of the Department	Year in which it was to be audited	Number of cases not audited
Registration, Excise and Prohibition (Registration)	2015-16	-
Total		320

1.6.4 Response of the Departments to the draft audit paragraphs

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the AG to the Principal Secretaries/Secretaries of the concerned Department, drawing their attention to audit findings and requesting them to send their response within six weeks. The fact of not receiving the replies from the Departments/ Government is invariably indicated at the end of such paragraphs included in the Audit Report.

Thirty seven draft paragraphs, one Performance Audit and two thematic paragraphs were sent to the Principal Secretaries/Secretaries of the respective Departments by name between May and July 2016. Registration, Excise and Prohibition Department had sent replies of two paragraphs (one partial) relating to State excise and reply of one thematic paragraph on 'Levy and collection of Stamp duty and Registration fee'. Commercial Taxes Department had sent replies of two paragraphs (one partial) relating to commercial taxes and reply of one thematic paragraph on 'System for collection of arrears of revenue in Commercial Taxes Department. Transport Department had sent partial reply of one paragraph and Mines and Geology Department had sent replies of six paragraphs. Further, the Transport Department had also sent reply of the Performance Audit on 'Levy and collection of motor vehicle tax'. The Principal Secretaries/Secretaries of the remaining departments did not send replies despite being requested (between May and August 2016) and the audit observations have been included in this Report without the response of the Government/Department.

1.6.5 Follow up on the Audit Reports-summarised position

The Manual of Instructions (1998) of the Finance Department, Government of Bihar envisages that the Secretaries to Government of the concerned Departments submit explanatory notes to the Assembly Secretariat on audit paragraphs and performance audits included in Audit Reports (AR) after vetting in audit, within two months from the date of presentation of the ARs to the State Legislature, without waiting for any notice or call from the Public Account Committee (PAC). In spite of these provisions, the explanatory notes on audit paragraphs of the Reports were being delayed inordinately. Three hundred twenty two paragraphs (including performance audit) included in the Reports of the Comptroller and Auditor General of India on the Revenue Sector, Government of Bihar for the years 2005-06 to 2014-15 were placed before the State Legislature Assembly between July 2007 and March 2016. Action taken explanatory notes in respect of 142 paragraphs from departments concerned had not been received for the Audit Report for the years 2005-06 to 2014-15 so far (March 2016).

1.7 Analysis of the mechanism for dealing with the issues raised by Audit

To analyse the system of addressing the issues highlighted in the Inspection Reports/Audit Reports by the Departments/Government, the action taken on the paragraphs and performance audits included in the Audit Reports of the last ten years for one Department is evaluated and included in this Audit Report.

The succeeding paragraphs 1.7.1 to 1.7.3 discuss the performance of the Mines and Geology Department under revenue head '0853-Non-ferrous Mining and Metallurgical Industries' and cases detected in the course of local audit during the last nine years and also the cases included in the Audit Reports for the years 2007-08 to 2015-16.

1.7.1 Position of Inspection Reports

The summarised position of the Inspection Reports issued during the period 2007-08 to 2015-16, paragraphs included in these reports and their status as on 31 March 2016 are mentioned in **Table-1.12**.

Table-1.12
Position of Inspection Reports

(₹ in crore)

Sl. No.	Year	Opening Balance			Addition during the year			Clearance during the year			Closing balance		
		IRs	Parag raphs	Money value	IRs	Parag raphs	Money value	IRs	Parag raphs	Money value	IRs	Parag raphs	Money value
1.	2007-08 ⁸	--	--	--	19	89	52.63	--	--	--	19	89	52.63
2.	2008-09	19	89	52.63	51	237	95.74	3	5	0.15	67	321	148.22
3.	2009-10	67	321	148.22	31	175	230.74	--	6	0.73	98	490	378.23
4.	2010-11	98	490	378.23	27	161	281.86	--	17	1.95	125	634	658.14
5.	2011-12	125	634	658.14	39	226	149.04	--	8	1.42	164	852	805.76
6.	2012-13	164	852	805.76	31	225	73.88	3	31	129.82	192	1046	749.82
7.	2013-14	192	1046	749.82	39	226	61.20	--	2	0.01	231	1270	811.01
8.	2014-15	231	1270	811.01	51	344	184.53	--	4	0.18	282	1610	995.36
9.	2015-16	282	1610	995.36	38	259	229.78	1	16	0.86	319	1853	1224.28

The Government arranges ad-hoc Committee meetings between the Department and AG's office to settle the old paragraphs. As would be evident from the above table, the number of outstanding IRs accumulated to 319 with 1,853 paragraphs at the end of 2015-16. This is indicative of the fact that adequate steps regarding settlement of audit observations were not taken by the Department which resulted in heavy accumulation of the outstanding IRs and paragraphs.

1.7.2 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last ten years, those accepted by the Department and the amount recovered thereagainst are mentioned in **Table-1.13**.

⁸ The responsibility to follow up/settlement of the outstanding Inspection Reports up to 2006-07 had been left to the Departments concerned except the cases pending with Public Accounts Committee and the Hon'ble courts.

Table-1.13
Recovery of accepted cases

(₹ in crore)

Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted	Money value of accepted paragraphs	Position of recovery of accepted cases as of 31.03.2016
2005-06	2	6.51	1	2.04	Nil
2006-07	1(Review)	38.32	1 (partial)	26.21	Nil
2007-08	4	2.38	3	1.21	Nil
2008-09	2	2.33	2	2.33	Nil
2009-10	5	4.46	3+1 (partial)	1.80	0.64
2010-11	3	5.53	3	5.53	6.09
2011-12	6	9.04	2+1 (partial)	6.04	1.13
2012-13	1(Review)	23.85	1 (partial)	Nil	Nil
2013-14	7	10.58	1	0.33	Nil
2014-15	5	60.69	2+1 (partial)	1.74	0.95

It is evident from the above table that the progress of recovery even in accepted cases was very slow throughout during the last ten years except 2010-11. The recovery of accepted cases was to be pursued as arrears recoverable from the concerned parties. No mechanism for pursuance of the accepted cases had been put in place by the Department/Government. In the absence of a suitable mechanism, the Department could not monitor the recovery of accepted cases.

The Department should take immediate action to pursue and monitor prompt recovery of the dues involved in accepted cases.

1.7.3 Action taken on the recommendations accepted by the Departments/Government

The draft performance audits conducted by the AG are forwarded to the concerned Department/Government for their information with a request to furnish their replies. These performance audits are also discussed in an exit conference and the Department's/Government's views are included while finalising the performance audits for the Audit Reports.

Two performance audits on the Department of Mines and Geology are featured in the last ten years Reports, wherein eight recommendations were made. However, no action was taken as yet by the Department on our recommendations (October 2016).

1.8 Audit execution for the financial year 2015-16

The unit offices under various Departments are categorised into high, medium and low risk units according to their revenue position, past trends of the audit observations and other parameters. The annual audit plan is prepared on the basis of risk analysis which inter-alia includes critical issues in Government revenues and tax administration i.e. budget speech, white paper on state finances, reports of the Finance Commission (State and Central), recommendations of the Taxation Reforms Committee, statistical analysis of the revenue earnings during the past five years, factors of the tax administration, audit coverage and its impact during past five years etc.

During the year 2015-16, there were 1,198 auditable units, of which 296 units were planned and 269 units⁹ had been audited, which is 22.61 per cent of the total auditable units. The details are shown in the **Table-1.14** below:

Table-1.14
Audit execution during 2015-16

Department	Total no. of auditable unit	No. of units planned	No. of units audited
Commercial Taxes	63	40	39
Excise	51	39	37
Land Revenue	839	108	91
Transport	49	35	33
Stamps and Registration fees	140	39	34
Mines	56	35	35
Total	1198	296	269

Besides the compliance audit mentioned above, one performance audit and two thematic audits were also taken up to examine the efficacy of the tax administration.

1.9 Results of audit

Deficiencies noticed in the audit conducted during the year

Test-check of the records of 269 units of Commercial Taxes, State Excise, Taxes on vehicles, Stamp duty and registration fees, Land revenue and receipts from Mines and minerals conducted during the year 2015-16 showed underassessment/short levy/loss of revenue aggregating ₹ 3,663.11 crore in 2,990 cases. During the period 2015-16, the Department accepted underassessment and other deficiencies of ₹ 275.41 crore in 293 cases.

1.10 Coverage of this Report

This Report contains 40 paragraphs (selected from the audit detections made during the local audit referred to above and during earlier years, which could not be included in earlier reports) including one Performance Audit of 'Levy and collection of motor vehicle tax' and two audits of 'Levy and collection of Stamp Duty and Registration fee' and 'System for collection of arrears of revenue in Commercial Taxes Department', involving financial effect of ₹ 1,416.97 crore.

The Departments/Government have accepted (upto October 2016) audit observations involving ₹ 796.14 crore, out of which ₹ 22.29 crore was recovered. The recoveries in the remaining cases have not been intimated (October 2016). These are discussed in succeeding Chapters II to VI.

⁹ Due to Panchayat election in the State and not functioning of settlement offices of Revenue and Land Reforms Department, audit of 27 planned units could not be conducted.